

## Message Text

PAGE 01 OECD P 25017 01 OF 03 241853Z

63

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 IO-13 NEA-10 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

DRC-01 AGR-20 L-03 H-03 PRS-01 NSC-10 SS-15 STR-08

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R 241643Z SEP 73

FM USMISSION OECD PARIS

TO SECSTATE WASHDC 682

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY REYKJAVIK

AMEMBASSY RME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

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PAGE 02 OECD P 25017 01 OF 03 241853Z

AMEMBASSY PARIS

LIMITED OFFICIAL USE SECTION 1 OF 3 OECD PARIS 25017

E.O.: 11652: N/A

TAGS: EFIN, OECD

SUBJ: INVISIBLE TRANSACTION COMMITTEE

REF: (A) TIR/M73(6)

(B) DAF/INV/72.27 (2ND REV)

(C) DAF/INV/73.49

(D) DAF/INV/73.59

(E) DAF/INV/73.50

(F) DAF/INF/73.46

(G) DAF/INV/73.51

(H) STATE 168157

1. SUMMARY. AT MEETING 10-12 SEPT. 1973 THE COMMITTEE FOR INVISIBLE TRANSACTION (IC) RECEIVED INITIAL DISTRIBUTION OF AUGUST 1973 EDITION OF CAPITAL MOVEMENTS CODE; WELCOMED OBSERVER FROM NEW ZEALAND; EXAMINED CHANGES IN MEMBERS' REGULATIONS FOR FRANCE, ITALY, NEW ZEALAND, SPAIN AND SWITZERLAND; AGREED TO FORWARD REF (B) ON COUNTRY RESTRICTIONS TO COUNCIL AFTER INSTRUCTING SECRETARIAT TO MAKE CERTAIN CHANGES; EXAMINED AND APPROVED FINNISH RESERVATIONS TO CAPITAL CODE AS WELL AS INVOCATION BY FINLAND OF DEROGATION COVERING SHORT TERM COMMERCIAL CREDITS; EXAMINED REPORT ON FOREIGN INVESTMENT IN YUGOSLAVIA IN PRESENCE OF YUGOSLAVIAN OFFICIALS; AND MADE FURTHER REVISIONS IN REF (G) ON INTERNATIONAL DIRECT INVESTMENT. LATTER WILL BE REVISED AND REVIEWED ONCE AGAIN BY IC BEFORE SENDING TO COUNCIL. EXAMINATION OF JAPANESE LIBERALIZATION OF INWARD DIRECT INVESTMENT WAS POSTPONED. ACTION REQUESTED. MISSION REQUESTS AUTHORITY TO APPROVE REF (B) AND REQUESTS RESPONSE TO PARA 3 BELOW. END SUMMARY.

2. NEW EDITION OF CMC: IC NOTED DISTRIBUTION OF AUGUST 1973 EDITION OF CODE OF LIBERALIZATION OF CAPITAL MOVEMENTS (CMC) WHICH INCLUDES AMENDMENTS THROUGH 3 JULY LIMITED OFFICIAL USE  
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PAGE 03 OECD P 25017 01 OF 03 241853Z

1973. MISSION WILL FORWARD STANDARD NUMBER OF COPIES TO DEPARTMENT AND WILL MAIL ADDITIONAL COPIES DIRECTLY TO OTHER ADDRESSEES AS REQUESTED.

3. SECRETARIAT REPORT ON DEVELOPMENTS SINCE LAST IC SESSION INCLUDED STATEMENT ON PROGRESS OF EXAMINATION OF RESERVATIONS TO FILM SECTION OF INVISIBLE OPERATIONS CODE. ALL COUNTRIES ARE REQUESTED TO NOTIFY OECD OF THEIR POSITION REGARDING CONTINUATION OF THEIR RESERVATIONS THIS ITEM, AND REASONS THEREFORE, PRIOR OCTOBER 31, 1973. NOTE: U.S. CURRENTLY HAS LIMITED RESERVATION O ITEM E/1, ANNEX IV TO ANNEX A. ACTION REQUESTED: DEPT IS REQUESTED TO NOTIFY MISSION IF U.S. DESIRES

ANY CHANGE IN ITS RESERVATION ON FILMS, GIVING REASONS FOR  
CONTINUATION IF APPLICABLE.

4. CHANGES IN MEMBER REGULATIONS: FRANCE. FRENCH EXPERT EX-  
PLAINED CERTAIN EXCHANGE CONTROL RELAXATION MEASURES  
(DAF/INV/73.56) ADOPTED BY FRANCE ON AUGUST 9, 1973. IC CON-  
SIDERED THAT NO ACTION WAS CALLED FOR UNDER CMC. ITALY.  
DAF/INV/73.54 DESCRIBES MEASURES TAKEN BY ITALIAN GOVERNMENT  
OVER PERIOD 24-25 JULY 1973. IC CONCENTRATED ATTENTION MAINLY  
ON PARA (C) OF THAT DOC WHICH COVERS CERTAIN RULES TO PREVENT  
SPECULATIVE TRANSFERS OF FUNDS. ITALIAN EXPERT CONSIDERED  
MEASURES NOT TO BE IN CONFLICT WITH CODE. U.S. EXPERT QUEST-  
IONED EXTENT TO WHICH PARA C-1 OF REFDOC APPLIED TO DIRECT  
INVESTMENT, PURCHASES OF REAL ESTATE AND OTHER CLEARLY LONG-  
TERM CAPITAL TRANSACTIONS. ITALIAN EXPERT NOT SURE BUT FELT  
REG WOULD NOT PREVENT TRANSACTION BUT ONLY ACT AS DISINCENTIVE  
REQUIRING ALTERNATIVE MEANS OF FINANCING. SCHLEPEGRELL (SEC-  
RETARIAT) SUGGESTED MEASURE COULD BE CONSIDERED FRUSTRATION  
UNDER ARTICLE 16 OF CMC BUT NOTED THAT ACTION WOULD BE  
TAKEN AGAINST IT ONLY IF A MEMBER WERE TO COMPLAIN AND  
ASK FOR EXAMINATION. ON OTHER HAND, BERTRAND FELT  
THERE WAS NO DOUBT OF LEGAL POSITION UNDER CODE AND  
THAT TAX OR EQUIVALENT DISINCENTIVE (SUCH AS CASH  
DEPOSIT) WAS NOT CONSIDERED TO BE RESTRICTION WITHIN  
MEANING OF CMC. IC ALSO CONSIDERED PARA C-2 OF  
REF DOC (COMPLETE PROHIBITION AGAINST ADVANCE PAYMENTS  
FOR IMPORTS) AS BEING IN POSSIBLE CONFLICT WITH CMC.  
SCHLEPEGRELL POINTED OUT THAT ITALY DOES NOT HAVE  
RESERVATION ON COMMERCIAL CREDITS OF LESS THAN ONE YEAR  
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PAGE 04 OECD P 25017 01 OF 03 241853Z

DURATION AND THAT DEROGATION MIGHT THEREFORE BE REQUIRED.  
MANY EXPERTS AGREED THAT ARBITRARY PROHIBITION OF ALL  
ADVANCE PAYMENTS, EVEN WHEN THEY WERE IN ACCORD WITH  
NORMAL PRACTICE (FOR EXAMPLE, IN SHIPBUILDING AND MANY  
FORMS OF COMMODITY PRODUCTION), WOULD CAUSE SUFFICIENT  
DISTORTION AS TO BE CONSIDERED FRUSTRATION UNDER CMC.  
ITALIAN EXPERT FELT THAT QUESTIONS WAS MERELY ONE OF PAYMENTS  
CHANNELS AND THEREFORE NO DEROGATION REQUIRED;

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PAGE 01 OECD P 25017 02 OF 03 241930Z

63  
ACTION EUR-25

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EA-11 FRB-02 INR-10 IO-13 NEA-10 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

AGR-20 L-03 H-03 PRS-01 NSC-10 SS-15 STR-08 DRC-01

/192 W

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R 241643Z SEP 73

FM USMISSION OECD PARIS

TO SECSTATE WASHDC 683

INFORUESGU/AMEMBASSY ANKARA 3236

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

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AMEMBASSY REYKJAVIK

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PAGE 02 OECD P 25017 02 OF 03 241930Z

AMEMBASSY PARIS

LIMITED OFFICIAL USE SECTION 2 OF 3 OECD PARIS 25017

HOWEVER, IF IC DECIDED DIFFERENTLY, ITALY WOULD  
REQUEST AN ARTICLE 7 (B) DEROGATION. AUSTRIAN REP  
SUGGESTED COMPROMISE WHEREBY ITALY WOULD BE REQUIRED  
TO SUBMIT NOTE REGARDING PAYMENTS CHANNELS. SEVERAL  
EXPERTS QUESTIONED ITALIAN EXPERT ON RATIONALE  
AND OPERATION OF SEGREGATED BANK CURRENCY ACCOUNTS  
NOTED PARA C-4 OF REF DOC. ITALIAN EXPERT NOTED  
PURPOSE WAS TO AVOID PARTICIPATION BY ITALIAN BANKS  
IN SPECULATION BETWEEN EEC BLOCKCURRENCIES AND THE

DOLLAR. INVISIBLES COMMITTEE TENTATIVELY DECIDED NO DEROGATION NEEDED FOR THESE ITALIAN MEASURES. NEW ZEALAND: NEW ZEALAND OBSERVER NOTED INCREASE IN TRAVEL ALLOWANCES DESCRIBED IN DAF/INV/73.60. SPAIN: SPANISH EXPERT NOTED THAT PARTIAL LIBERALIZATION OF OUTWARD PORTFOLIO INVESTMENTS DESCRIBED IN C/(73)164 WILL PERMIT MODIFICATION OF SPANISH RESERVATION TO ITEM 4/B1 OF LIST A OF CMC. SWITZERLAND: SWISS EXPERT NOTED CHANGE IN SWISS REGULATIONS (DAF/INV/73.48) WHICH ALLOWS LIECHENSTEIN CITIZENS TO BE ASSIMILATED WITH SWISS CITIZENS FOR PURPOSE OF INVESTMENT OF FOREIGN FUNDS. ACTION REQUESTED: MISSION WOULD APPRECIATE RECEIVING DEPT VIEWS ON ACCEPTABILITY THESE ITALIAN MEASURES UNDER CMC.

5. LIBERALIZATION OF INWARD INVESTMENT BY JAPAN: THIS AGENDA ITEM WAS POSTPONED DUE TO NON-COMPLETION OF REFERENCE DOCUMENT DAF/INV/73.47. SECRETARIAT INDICATED ADDITIONAL PROBLEMS REMAIN WHICH IT WOULD WORK OUT ON BILATERAL BASIS WITH JAPANESE EXPERTS.

6. RESTRICTIONS ON OUTWARD CAPITAL MOVEMENTS: COMMITTEE ONCE AGAIN EXAMINED REF B (SECOND REVISION WAS AVAILABLE ONLY IN FRENCH VERSION AT TIME OF MEETING). MOST MEMBERS FELT DOCUMENT SHOULD BE EXPANDED TO INCLUDE ADDITIONAL MATERIAL ON BACKGROUND AND JUSTIFICATION FOR COUNTRY RESTRICTIONS, TOGETHER WITH CERTAIN MEASURES OF LIMITED OFFICIAL USE  
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PAGE 03 OECD P 25017 02 OF 03 241930Z

ECONOMIC PERFORMANCE (I.E., RELATING TRADE AND PAYMENTS POSITIONS TO DOMESTIC OUTPUT, RESERVES, ETC.) WHICH WOULD HELP READER TO JUDGE BETTER WHETHER RESTRICTIONS WERE JUSTIFIED. HOWEVER, SWEDISH AND BELGIAN EXPERTS FELT THAT SINCE RESTRICTIONS WERE BASED ON VARIETY OF REASONS, AND SINCE THEY WERE ALREADY EXAMINED REGULARLY AND INTENSIVELY, IT WOULD NOT BE POSSIBLE TO GIVE A FAIR PRESENTATION IN A FEW SUMMARY MEASURES OF ECONOMIC PERFORMANCE. FRENCH EXPERT ALSO POINTED TO NEED FOR CONTINUATION CERTAIN RESERVATIONS AS PRECAUTION DUE TO VOLUME AND RAPIDITY OF CHANGING CURRENCY SITUATIONS. CHAIRMAN (SWISS EXPERT) AGREED, AND FELT THIS CONSIDERATION SUGGESTS NEED FOR MAJOR CHANGE IN PHILOSOPHY OF IC. US AND AUSTRIAN REPS DISAGREED AND NOTED THAT CMC NOW EXPLICITLY EXCLUDES RETENTION OF PRECAUTIONARY RESERVATIONS. IC INSTRUCTED SECRETARIAT TO MAKE NUMBER OF CHANGES IN DOCUMENT WHICH WILL THEN BE SUBMITTED TO COUNCIL. ACTION REQUESTED: MISSION REQUESTS FINAL US REVIEW OF REF B AND PERMISSION TO ACCEPT DOCUMENT IN COUNCIL.

7. EXAMINATION OF FINNISH RESERVATIONS TO CMC:

IC EXAMINED RESERVATIONS IN DETAIL (REF C) AFTER RECEIVING ADDITIONAL INFORMATION ON FINNISH CONOMY FROM FINNISH EXPERT. MAJOR QUESTION POSED WAS EXTENT TO WHICH RETENTION OF MANY FINNISH RESERVATIONS WAS CLEARLY ON PRECAUTIONARY BASIS. WHILE SOME MEMBERS SUPPORTED IDEA OF ACCEPTABILITY OF PRECAUTIONARY MEASURES, US AND AUSTRIAN EXPERTS STRONGLY OF OPINION THAT GENERAL APPROVAL OF PRECAUTIONARY MEASURES WOULD EXCESSIBELY WEAKEN CMC. IC TENTATIVELY AGREED TO ACCEPT DRAFT REPORT AND APPROVE CONTINUED RESERVATION BY FINLAND ON 22 ITEMS IN CMC. HIGHLIGHTS THIS DISCUSSION REPORTED SEPARATELY.

8. INVOCATION BY FINLAND OF DEROGATION CLAUSES:  
ON JUNE 15, 1973 FINLAND INVOKED ARTICLE 7(B) OF CMC TO PERMIT RE-INTRODUCTION OF RESTRICTIONS ON COMMERCIAL SHORT-TERM CREDITS GRANTED BY NON-RESIDENTS TO RESIDENTS (REF E). STATED PUPOSE OF BAN ON IMPORT CREDITS WAS TO SUPPORT DOMESTIC ANTI-INFLATIONARY LIMITED OFFICIAL USE  
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PAGE 04 OECD P 25017 02 OF 03 241930Z

POLICY BY REQUIRING THAT IMPORTS BE PAID FOR DRAWING DOWN OF EXISTING FOREIGN CURRENCY HOLDINGS. FINLAND PREVIOUSLY INVOKED ARTICLE 7 (C) ON NOVE. 13, 1970 IN RESPECT OF SAME ITEM IN CODE. THIS INVOCATION WAS ACCEPTED BY COUNCIL IN MARCH 1971 AND WITHDRAWN IN JUNE 1972. IC GAVE TENTATIVE ACCEPTANCE TO FINNISH INVOCATION PENDING COMPLETION FINAL REPORT. DETAILS OF DISCUSSION REPORTED SEPARATELY.

9. FOREIGN INVESTMENT IN YUGOSLAVIA: COMMITTEE EXAMINED REFPORT REF (F) IN PRESENCE OF FIVE OFFICIALS FROM YUGOSLAVIAN NATIONAL BANK, FINANCE AND ECONOMIC MINISTRIES. PURPOSE OF REPORT IS TO ASSIST YUGOSLAVIA TO IDENTIFY AND MODIFY CERTAIN OF ITSREGULATIONS AND POLICIES SO AS TO MAKE YUGOSLAVIA MORE ATTRACTICE TO FOREIGN INVESTORS. AFTER RECEIVING NUMBER OF CHANGES PROPOSED BY IC EXPERTS AND YUGOSLAV REPRESENTATIVES, IC ASKED SECRETARIAT TO MAKE NECESSARY REVISIONS IN TEXT FOR FINAL REVIEW AT ITS NEXT MEETING, AFTER WHICH IT IS EXPECTED THAT DOCUMENT WILL BE SENT TO COUNCIL WITH RECOMMENDATION FOR PUBLICATION. DETAILS OF DISCUSSION REPORTED SEPARATELY.

10. INTERNATIONAL DIRECT INVESTMENT: AS EXPECTED, IC HAD LONG AND SOMEWHAT INCONCLUSIVE DISCUSSION ON REF (G). SECRETARIAT FELT KEY ISSUE CONCERNED DIRECTION ORGANIZATION SHOULD MOVE VIS-A-VIS DIRECT INVESTMENT UNDER CMC, E.G. EITHER TO STRENGTHEN SYSTEM OF INTERNATIONAL SUPERVISION OF DIRECT INVESTMENT AS ENVISIONED UNDER CMC OR TO WEAKEN IT. IT IPLIED PRESENT FORMULATION

INQDEQUATE. IC FAIRLY DIVIDED ON THIS QUESTION. CONSENSUS  
SEEMD TO BE THAT NOT MUCH COULD BE DONE TO STRENGTHEN  
CMC AT THIS TIME, BUT THAT CERTAIN ADDITIONAL GUIDELINES  
COULD BE DEVELOPED COVERING ASPECTS OF CAPITAL MOVEMENTS  
(ESPECIALLY DIRECT INVESTMENT) NOT INCLUDED IN CMC BUT  
WHICH MIGHT STRENGTHEN ACTUAL APPLICATION OF EXISTING  
CMC. SOME MEMBERS FELT THAT STRENGTHENING CERTAIN  
PROCEDURES CONCERNING APPLICATION OF CODE WOULD BE  
SUFFICIENT. BELGIAN EXPERT FELT IT WOULD BE IMPOSSIBLE  
TO EXPAND EXISTING CODE UNDER PRESENT CONDITIONS SINCE

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PAGE 01 OECD P 25017 03 OF 03 242003Z

63

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

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R 241643Z SEP 73

FM USMISSION OECD PARIS  
TO SECSTATE WASHDC 684  
INFO AMEMBASSY ANKARA  
AMEMBASSY ATHENS  
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PAGE 02 OECD P 25017 03 OF 03 242003Z

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LIMITED OFFICIAL USE SECTION 3 OF 3 OECD PARIS 25017

IT WOULD NOT BE FEASIBLE TO OBTAIN AGREEMENT ON FRAMEWORK OF LEGAL RULES WHICH WENT BEYOND THOSE WHICH ALREADY EXISTED IN CMC. GERMAN EXPERT DOUBTED USEFULNESS OF GUIDELINES AND POINTED OUT THAT EVEN WITH ITS LEGAL IMPLICATIONS CMC SUCCESSES HAD BEEN LIMITED. THIS LED HIM TO BELIEVE IT WOULD BE PREFERABLE TO STRENGTHEN EXISTING CMC, ESPECIALLY REGARDING NOTIFICATIONS AND SANCTIONS. HE ALSO FELT THAT IC AS GROUP OF EXPERTS SHOULD BE ABLE TO PUBLISH ITS FINDINGS WITHOUT COUNCIL APPROVAL, ESPECIALLY SINCE FINDINGS WERE NOT BINDING. PUBLIC OPINION WOULD THEN HELP MOVE COUNTRIES IN RIGHT DIRECTION ONCE FACTS WERE KNOWN. BERTRAND AGREED IDEA OF STRENGTHENED SANCTIONS IS KEY TO IMPROVING USE OF CMC, BUT TIED THIS MORE TO IDE OF EFFICIENCY.

1. UK EXPERT RAISED QUESTION AS TO WHETHER NOW WAS APPROPRIATE TIME TO CONSIDER QUESTIONS IN PARA 62 REF (G), ESPECIALLY AS XCSS WORK WOULD TOUCH ON MANY OF THESE QUESTIONS. GERMAN EXPERT NOTED IC HAD NO MANDATE FROM XCSS FOR WORK THESE AREAS. HOWEVER, IN ABSENCE OF CLEAR INTENTIONS ON PART OF SECRETARY-GENERAL AND XCSS, HE FELT IC SHOULD CLARIFY FOR COUNCIL AND OTHERS PROBLEMS EXISTING UNDER PRESENT CMC. US EXPERT MADE POINTS REF (H) AND THEN RECOMMENDED NUMBER OF MINOR REVISIONS IN TEXT, INCLUDING PROPOSAL THAT INTRODUCTORY FIRST 8 PAGES BE REVISED TO RELATE MORE CLOSELY TO CMC. FRENCH EXPERT SUGGESTED BASIC PURPOSE OF PAPER WAS TO POINT OUT INADEQUATE APPLICATION OF CMC IN KEY INVESTMENT AREA AND FELT THIS SHOULD BE EXPLORED FROM BOTH POSITIVE AND NEGATIVE SIDE, WITH POSSIBILITY OF ARRIVING AT BAL POSITIONS ON A NUMBER OF ISSUES, PRESENTING BOTH PROS AND CONS. SWEDISH EXPERT SUGGESTED THAT SOME MINOR REVISION TO CMC SHOULD NOT BE TOO DIFFICULT SINCE MAJORITY NOW SEEMED TO FAVOR SOME CONTROL ON CERTAIN KINDS OF CAPITAL MOVEMENTS. HOWEVER, US AND OTHER EXPERTS FELT THAT IN LIGHT OF C-20 AND  
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PAGE 03 OECD P 25017 03 OF 03 242003Z



XCSS EXERCISES, QUESTIONS OF CMC REVISION SHOULD BE POSTPONED.

12. FOLLOWING COMMENTS KEYED TO PARAGRAPHS REF (G)

(2) EEC OBSERVER ASKED FOR BETTER DEFINITY OF BOOK VALUE. (10) US EXPERT RECOMMENDED SUBSTANTIAL REWORDING PARA 10 AND NOTED THAT RATE OF RETURN NOT NECESSARILY AFFECTED BY EXCHANGE RATE CHANGES SINCE RETURN ON FOREIGN INVESTMENT IS ALSO IN FOREIGN CURRENCY. EC OBSERVER AGREED AND EXPANDED ON POINT AT LENGTH. (16) SWEDISH EXPERT FELT THIS PARA CONFLICTED WITH GATT PROVISIONS CONCERNING GOODS. HOWEVER, US EXPERT POINTED OUT THAT CODE DEALT ONLY WITH FINANCING OF GOODS, NOT ACTUAL MOVEMENT OF GOODS, AND THEREFORE NO CONFLICT EXISTED. (25) SEVERAL EXPERTS SUGGESTED THIS PARA REDRAFTED TO INCLUDE PROBLEMS OF INVESTOR COUNTRIES HAVING DEFICITS. (26) BELGIAN EXPERTED NOTED THAT COUNTRIES HAVE RIGHT UNDER CMC TO PREVENT SOME DIRECT INVESTMENT FOR PUBLICLY REGULATED INDUSTRIES. US EXPERT SUGGESTED THIS TRUE ONLY TO EXTENT THAT FOREIGN INVESTOR HAS EQUAL ACCESS WITH DOMESTIC INVESTOR, AND NO NATIONAL DISCRIMINATION EXISTS UNDER ANTI-TRUST PROCEEDINGS. (46) U.S. EXPERT REQUESTED SUBSTANTIAL REDRAFTING AND SUGGESTED THAT AT MOST IC COULD ONLY SAY THAT DEGREE OF DISTORTION IS UNKNOWN BY PRESENT MEANS OF ANALYSIS. (51) U.S., AUSTRIAN AND BELGIAN EXPERTS NOTED THAT PRECAUTIONARY RESTRICTIONS ARE NOT APPROPRIATE UNDER CODE. (54 AND 61) U EXPERT FELT CMC CLEAR THAT USE OF INVESTMENT CURRENCY DOES NOT REQUIRE DEROGATION SINCE WHENEVER A TRANSFER IS NOT POSSIBLE AT OFFICIAL EXCHANGE RATE INVESTOR ALWAYS HAS RECOURSE TO FOREIGN BORROWING. THEREFORE, TRANSACTION IS NOT PREVENTED IN CMC SENSE.

13. OTHER HIGHLIGHTS THIS DISCUSSION INCLUDE FOLLOWING. BERTRAND NOTED THAT IC COULD NOT SAY PURPOSE OF CMC WAS TOTAL LIBERALIZATION OF CAPITAL MOVEMENTS BUT ONLY THAT LIBERALIZATION OF CAPITAL MOVEMENTS SHOULD BE ACHIEVED TO EXTENT NEEDED FOR EFFECTIVE ECONOMIC COOPERATION. U.S. AND OTHER MEMBERS SUGGESTED MEASUREMENT OF THIS LATTER FACTOR OPEN TO CONSIDERABLE LEEWAY. SCHLEPEGRELL NOTED THAT CMC IS SILENT ON ISSUE OF LOCAL FINANCING.

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PAGE 04 OECD P 25017 03 OF 03 242003Z

14. NEW IC CHAIRMAN: IC WELCOMED MR. JEAN MICHEL BLOCH-LAINE, PROPOSED NEW FRENCH EXPERT, WHO ATTENDED MEETING AS OBSERVER PENDING FINAL ESI GATION BY COUNCIL. FRENCH GOVERNMENT PROPOSAL THAT BLOCH-LAINE ALSO BE DESIGNATED CHAIRMAN OF IC WAS SUBSEQUENTLY CONSIDERED AND APPROVED BY COUNCIL ON SEPT 18, 1973. WHILE MISSION DID NOT OPPOSE ASSIGNMENT OF FRENCH EXPERT AS CHAIRMAN OF COMMITTEE, IT SHOULD BE NOTED THAT IC HAS FROM BEGINNING HAD FRENCH CHAIMAN AND THAT FRENCH GOVERNMENT ASSUMES THIS TRAD-

ITION WILL CONTINUE. HOWEVER, GIVEN FRENCH ATTITUDE CONCERNING CONTROLS ON CAPITAL MOVEMENT, CONTINUED DESIGNATION OF FRENCH EXPERT AS CHAIRMAN MAY POSSIBLY BIAS IC IN FAVOR OF LESS RIGOROUS PURSUIT OF GOALS OF LIBERALIZATION UNDER CMC. ALSO, APPOINTMENT OF NEW MEMBER AS CHAIRMAN OF COMMITTEE ASSUMES INDIVIDUAL ALREADY HAS WORKING FAMILIARITY WITH OECD CODES WHICH IS NOT GENERALLY THE CASE. IF SUCH NEW MEMBERS CANNOT BE CONSIDERED EXPERTS (AS ORIGINALLY ENVISIONED BY COUNCIL WHEN IC WAS FIRST ESTABLISHED) QUESTION ARISES AS TO WHETHER CHAIRMANSHIP SHOULD NOT PREFERABLY BE CHOSEN FROM AMONG EXPERTS ALREADY HAVING SOME EXPERIENCE WITH WORKINGS OF THE IC. ALSO SOME ROTATION OF POSITION AMONG THE DIFFERENT COUNTRIES REPRESENTED MIGHT BE MORE HEALTHY THAN PRESENT SITUATION.

15. COMMITTEE AGREED TO MEET AGAIN 24-26 OCT 1973.  
BROWN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 10 MAY 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INVISIBLES (BALANCE OF PAYMENTS), COMMITTEE MEETINGS, MEETING  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 SEP 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 31 JUL 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <31-Jul-2001 by kellew0>; APPROVED <18-Sep-2001 by morefirh>  
**Review Markings:**

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30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INVISIBLE TRANSACTION COMMITTEE  
**TAGS:** EFIN, XH, OECD  
**To:** STATE INFO ANKARA  
ATHENS  
BERN  
BONN  
BRUSSELS  
CANBERRA  
COPENHAGEN

DUBLIN  
THE HAGUE  
HELSINKI  
LISBON  
LONDON  
LUXEMBOURG  
MADRID  
OSLO  
OTTAWA  
REYKJAVIK  
RME  
STOCKHOLM  
TOKYO  
VIENNA  
WELLINGTON  
GENEVA  
EC BRUSSELS  
NATO  
LIMITED OFFICIAL USE  
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**Type:** TE

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